

COUNTY OF YORK

MEMORANDUM

DATE: August 28, 2006 (BOS Mtg. 9/5/06)

TO: York County Board of Supervisors

FROM: James O. McReynolds, County Administrator 

SUBJECT: Community Development Authorities

In the Commonwealth of Virginia, if appropriately constituted, Community Development Authorities (CDA) may be used by local governments to provide special assessment and/or tax increment financing. The Code of Virginia requires that prior to creating a CDA, the local governing body must first adopt an ordinance establishing the authority to do so.

Under the provisions of a CDA, new taxes generated by a qualifying project may be used to pay the debt service on bonds issued for the construction of the public infrastructure to support the project. The way this works is, the local governing body creates the CDA; the CDA issues bonds, and the proceeds are passed to the developer to pay for the public infrastructure; the project pays the usual taxes (sales, meals, property and BPOL) to the County; the County passes the taxes from the project to the CDA to pay the debt service on the bonds. If the project does not generate enough taxes to pay the debt service, the County is under no obligation to provide any additional funding. Any shortfall between the revenue passed back to the CDA and the amount needed for debt service would be the responsibility of the developer/owner. This responsibility would be secured with a special assessment that would be levied on the property shortly after the formation of the CDA and would include a corresponding lien. If there were a shortfall, the amount needed for the balance of the debt service would be billed to the owner. Should the owner default, the County could force sale of the property.

The use of a CDA to facilitate economic development is not unlike other means used by local governments and Economic Development Authorities. It is similar to the purchase of land, installing roads and utilities, and offering it for sale. However, there are differences. The purchase of land and preparing it for sale requires the commitment of enough funds to pay the debt service, regardless of the amount of new revenue generated and it is not certain when the land will sell. A CDA may be used to encourage development to pay for itself. A number of localities have begun using the incremental tax revenues generated by a project to promote economic development or to enhance proposed development. CDAs provide a means to finance public improvements without committing existing county funds.

During the work session scheduled for Tuesday, September 5, staff and bond counsel will make a brief presentation on how to establish and operate a CDA.

Please let me know if you have any questions.

JOM:mes